

ALTERNATIVE MINIMUM TAX

Mr. GRASSLEY. Mr. President, earlier this week, I spoke to my colleagues on fleshing out some of the options that may be circulating among the current Democratic majority in the other body, meaning the House of Representatives, for resolving the crescendo of the alternative minimum tax crisis that faces us right now in May of 2007, and for all the months before—and if we do not do something, all the months for the rest of this year, in which 23 million taxpayers who do not pay the alternative minimum tax, will be hit by it. These are 23 million people who were never intended to pay the alternative minimum tax because they are not considered the superwealthy.

As I said earlier this week, I do not like what I am hearing about what is going on in the other body, what they may put on the table in terms of paying for the alternative minimum tax, and the solution for that problem that is a fact of tax law right now.

However, I want to make perfectly clear a point on which I agree with the other party and the other body. I completely agree that dealing with the AMT is a priority issue and that Congress needs to address it.

The alternative minimum tax is an absolutely maddening tax that has insidiously crept into the homes of more and more families each year. I have spoken on this floor about its repeal—about its repeal—because, No. 1, it is hitting people it was not intended to hit, and also there are thousands it was intended to hit who have found ways out of paying the alternative minimum tax. So then you get into the ridiculous situation of people paying it who are not superrich, and you have superrich people it was intended to hit in 1969, when it was first put in place, who have found ways around it. So if it “ain’t” working, then it is obviously broken, and you need to fix it.

The numbers of families paying the alternative minimum tax will rise from 4 million families, last year, to 23 million families in 2007—unless we take legislative action.

Chairman BAUCUS, my Democratic leader in our committee, and I introduced legislation on the first day of the 110th Congress to repeal the individual alternative minimum tax beginning in the 2007 tax year. But, of course, it does not appear that the Democratic leadership is eager to take up that legislation.

In each of the past 6 years, Congress has, in fact, passed legislation which at least for a temporary period of time successfully kept more people from paying the alternative minimum tax by increasing the amount of income that is exempt from the alternative minimum tax. In other words, by increasing the exempt amount, additional people were not hit by the alternative minimum tax.

These temporary exemptions that have happened over the last 6 years have prevented the alternative min-

imum tax from harming more and more middle-class Americans. Most recently, Congress acted to prevent millions of taxpayers from receiving a surprise on their 2006 tax returns by including an extension of this temporary AMT exemption increase in what is called the Tax Increase Prevention and Reconciliation Act of 2005.

In that 2005 bill, the exemption for married couples filing jointly was increased from \$58,000 to \$62,550 for the 2006 tax year.

This week marks the 1-year anniversary of the enactment of that bill in 2005—well, actually, it was not signed by the President until 2006. Nearly 20 million American families who were exempt from the AMT because of the temporary exemption increase in 2006 knew at this time last year Congress was moving to not tax many more millions of people by the alternative minimum tax in last year’s tax earnings season.

This year, those families have no such assurance because the Democratic leadership—now in the majority as a result of the last election—in this Congress does not appear to be moving any legislation to address the alternative minimum tax.

Some of you may wonder why this is a pressing issue. Maybe you take the view that you need not address this because the AMT is such a stealth tax that millions of Americans who are going to owe AMT for 2007 have not even thought of that issue yet. It is something for which you might get the rude awakening after the first of next year as you prepare your income tax, and all of a sudden—boom—23 million more Americans are hit by this tax. So you do not worry about it during this 12 months. But do not play the American people for a fool.

I can understand why the taxpayers may not be thinking about it because for the past 6 years, as a second point, the Congress has addressed the issue on a timely basis, and the taxpayers did not miss a beat. When the Republicans were in the majority, American families could count on Congress to make sure this AMT issue was taken care of.

Now, it is nearing the summertime under Democratic leadership, and there is no clear path to a credible temporary or permanent solution. We need to address this now for the folks who do not even know what is about to hit them in the year 2007. And some were hit in April already. I will explain that. That is why it cannot wait. It is here and now for some taxpayers.

I hope, however, my colleagues have heard, then, from some of these constituents who are being hit by it. That happened through the estimated tax payment in April 2007, when at least some Americans were hit with paying this when they prepared that estimated tax payment you do four times a year. Those families have made that first payment and are painfully aware, then, of Congress’s failure to act on the AMT this year, whereas 12 months ago we had already acted.

Until recently, I had hoped the Senate was unified in not wanting to collect the AMT for this year or any year in the future. On March 23—almost 2 months ago—I offered an amendment to the fiscal year 2008 Senate budget resolution that would have required Congress to stop spending amounts that are scheduled to come into Federal coffers through the alternative minimum tax. The legitimacy of that amendment was based on the proposition that the budget, which we just adopted today, the conference report—assumes these 23 million Americans are going to pay this tax they were never intended to pay. So get it out of the budget if you are taxing people who are not superrich and who were not supposed to pay it in the first place, and particularly when a few thousand of the superrich have even found ways to get legally around not paying a tax that was intended for them to pay. My amendment was not adopted because I think if my amendment had been adopted, we would have some honesty in the budgeting process. However, not a single one of my colleagues on the other side of the aisle voted in its favor.

On the House side, we hear the Ways and Means Committee is doing a lot of talking about the alternative minimum tax, but they have yet to move to action. It has been reported that House Democrats plan to exempt everyone who earns less than \$250,000 from the AMT. Now, that is not eliminating it like I want to do, but it sounds to me as if that is a step in the right direction.

However, the new Democratic majority has pledged to offset any tax cuts. Some staggering proposals are bouncing around to offset a \$250,000 exemption from the AMT. I outlined two of them on Monday when I spoke to my colleagues. One option would raise the top marginal income tax rate to over 46 percent—a rate that we have not seen since it was 50 percent between 1963 and 1981. Now, that 46 percent is up from the 35-percent marginal tax rate under current law.

There is another option the House may be considering, and that is to raise the top alternative minimum tax rate to 37 percent, up from 28 percent under current law.

I have to believe that anyone would shy away from actually proposing a double-digit tax rate increase. So let’s take a minute to explore another approach we have heard floated for alternative minimum tax relief—paying for it by raising marginal tax rates on the top three income tax brackets.

Except for that 35 percent bracket, you are definitely talking about raising the tax on middle-income people to pay for or to offset the alternative minimum tax, now hitting those same middle-income people who were not intended to pay it in the first place.

Raising the top three income tax brackets—I do not know why Congress would want to raise taxes on top income tax brackets, let alone on the top

three brackets. However, if that idea is getting serious attention, then we need to look behind the lipstick and examine the pig. So I have a chart in the Chamber to show you how many taxpayers would be impacted.

In 2004, there were nearly 6 million individuals and families in the top three tax brackets. If you go through an analysis to show what the grim scenario of raising taxes on the top three income tax brackets might look like, it is not a very good picture.

There is another chart which lays out the numbers on an option prepared by the Tax Policy Center. I do not want you to think I am highlighting a partisan Republican analysis. The Tax Policy Center has undertaken an extensive analysis of multiple options on the alternative minimum tax. I think it would be more than fair to say they are a group that my colleagues on the other side of the aisle often look to for reasoned analysis of policy issues. In fact, I believe they recently testified at the Ways and Means Committee in the other body on precisely this point. They outlined many options in their study, and this is just one that I want to walk through for illustration purposes.

This option—they call it the “broad reform and increase top income tax rates” option—would reduce the number of AMT taxpayers by almost 90 percent in the year 2007. So that would mean you would have 300,000 people paying the alternative minimum tax instead of the 23 million middle-income taxpayers who are being hit with it right now, as I speak. Only 100,000 taxpayers with incomes below \$200,000 would owe the alternative minimum tax under their plan.

Again, I think this is a step in the right direction, until you take a look at their plan to offset it, to offset this AMT relief. The plan would raise income tax rates on 6 million families in the top three income tax brackets. This chart shows then where the ordinary tax rates would go as a result of this suggestion.

For taxpayers in the current 28 percent bracket, and that includes single taxpayers earning \$74,000 and married families earning \$124,000, their tax rates would increase from 28 percent to 35.4 percent. That is higher than the current tax rate for the wealthiest Americans under present law. The current 33-percent bracket would go up to 41 percent, and the top tax bracket would go from the current 35 percent up to 45 percent. So again we would be facing another option that requires a double-digit, marginal tax rate increase.

So while I applaud the efforts of many to analyze potential AMT solutions, I urge my colleagues to be aware of anyone bearing marginal tax rate increases in their basket of goodies to solve this horrendous problem of 23 million middle-income taxpayers paying the alternative minimum tax. It was never supposed to be paid by mid-

dle-income people because it was a tax reserved for the superwealthy in 1969, numbering about 155 people. So how do you get from 155 people to 23 million people, if the tax policies are working the way they were intended to work?

Now, there is another alternative, and that is something Congress isn't apt to do and something in the budget that was adopted shows that the majority is not inclined to do. But Congress should control spending and stop budgeting with revenues flowing in on the ledger from the AMT instead of increasing taxes to solve the problem. AMT tax relief that relies on increases in ordinary tax rates to move the ball turns out to be no tax relief at all. I think we have the issue of whether we want to keep this economy going, and I speak of Chairman Greenspan. Maybe he was beyond his chairmanship when he said that the tax policies of 2001 and 2003 were responsible for the 7.8 million jobs, the growth in the economy that we have now, and bringing in three-quarters of a trillion dollars of revenue that nobody anticipated would be coming in when we gave those tax reductions. So why would you want to raise the marginal tax rates when Chairman Greenspan says the lower rates are responsible for the revitalization of the economy and kill the goose that laid the golden egg? It doesn't make sense.

Those are the ideas that are floating around this Hill to solve the problem of 23 million Americans being hit by a tax they were never intended to pay, counting revenue coming in from people who were never intended to pay it to show that the budget is balanced. Intellectually dishonest? Yes. Fraudulent? Yes. It is something that is unexplainable. Yet we are stuck with it and it ought to end. It is not going to end until we repeal a tax that shouldn't be on the books in the first place because it isn't hitting all of the superwealthy the way it was intended to, and it is beginning to hit 23 million middle-income people, and in the process, when you start raising taxes like that on that group of people, pretty soon you are going to ruin the middle class. The middle class is the stability of any society in the world, but particularly in the last 150 years, it has been the stability of America's society.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

THIS WEEK IN THE SENATE

Mr. REID. Mr. President, let me say we have had some really good work this week in the Senate. When I came here on Monday and indicated we would have to work into the weekend,

that wasn't just for fluff. I really thought we would have to do that because we had so much to do. We were heavily involved in WRDA, a bill that was so important to be done, but a lot of hiccups come in complex legislation like that. We were able to finish that in a few days. I was concerned about the budget and the time limits that are statutory in that regard. We completed that. I was concerned about the supplemental, getting something to the House, which was a tremendously difficult job. We were able to get that done. Finally, there has been an agreement in principle on immigration, which we will take up, I hope, Monday evening.

Any one of these things gives no bragging rights to Democrats or Republicans, but it gives bragging rights to Democrats and Republicans because none of this could have been done but for the recognition that you have to work together to get things done. There is no better example of that—and I said it briefly on the floor yesterday—than Senator BOXER and Senator INHOFE. They are really two political opposites in most everything. But they are also experienced legislators, both having served in the House and in the Senate. Senator BOXER is chairman of the committee now, and Senator INHOFE was chairman of the committee. Senator INHOFE knew how important WRDA is. He worked together with Senator BOXER, and vice versa, and they got that done. That is tremendously good work.

On the budget, I boast about the managers all the time because I think they work well together—Senators CONRAD and GREGG. What they were able to piece together with this budget was very difficult. It wasn't mechanical, but it was difficult.

On the supplemental, I give a little credit to me, a little credit to Senator MCCONNELL, and the rest of the credit to the Senate because we were able to get that done and get a bill to conference with the House. We have had a number of meetings with the President's chief of staff—Senator MCCONNELL and I, Speaker PELOSI, and other representatives of the President. We hope to be able to complete that very important conference report by next week at this time.

Finally, on the immigration issue, at this stage, I have kept this to myself, but Senator MCCONNELL was one of those who urged me to stick to my timeline, stick to the 2 weeks. He said, “If we are going to get anything done, you have to set a time limit.” We did that. I don't know if the immigration legislation will bear fruit and we will be able to pass it. At least we have something to talk about as a legislative vehicle on the floor that is bipartisan in nature. You may not agree on the respective parts, but that can be debated. We are going to start Monday night.

The reason I mention that this evening is all Senators and all staffs